

**Senate Budget Subcommittee No. 3**  
**May 18, 2006**

**Response to TANF Reauthorization**

The changes to the federal TANF program present an opportunity to significantly increase the number of CalWORKs families that are engaged and working their way toward self-sufficiency. By engaging families at the inception of their participation in CalWORKs, we can help more families leave assistance and become independent, and prevent the state from incurring significant federal penalties. No single strategy will be enough - we must provide a continuum of strategies and services to help families succeed at every stage of the program.

Research shows that applicants and participants who are more engaged from their earliest point of interaction with the county are more likely to work and less likely to become sanctioned. Identifying the supportive service needs of families and providing education, training, and job opportunities directly correlates to better outcomes for families.

While pushing government and participants to do more, we must also help and protect low-income children, so that they can break the cycle of generational poverty and become self-sufficient adults. In California nearly 1.9 million children (19 percent) are living in families with incomes at or below the poverty level (\$20,000 per year for a family of four). The state's childhood poverty rate is slightly higher than the national average. Of the 1.3 million persons in CalWORKs, 1 million are children.

The Senate Democrats propose to reinvest \$150 million in federal Temporary Assistance for Needy Families (TANF) funds back into the CalWORKs program to improve work participation rates and family outcomes. In addition, the Committee proposes to reprioritize \$158 million in existing CalWORKs funds to get more families engaged faster, prevent sanctions, and increase our investment in education, training, and child care.

- **Enhance Up-Front Engagement** – Provide \$30 million in competitive grants to counties to encourage innovative engagement strategies such as providing child care at application so parents can do orientation at the same time or screening recipients for barriers to work at appraisal to get them the services they need. Drawing on county best practices, efforts must be made throughout the state to increase engagement. Counties must prepare and submit a plan to the Legislature outlining the specific steps they will take to increase engagement and how the funding would be used.
- **Increasing Work and Training Opportunities** – Provide \$25 million to establish a CalWORKs Education, Training, and Employment Collaborative. This effort would include the Department of Social Services, county welfare departments, the Employment Development Department, local workforce investment boards, community colleges, adult education and Regional Occupational Programs. Collaborative programs would emphasize activities that meet federal requirements, but give participants skills that will help them achieve long-term self-sufficiency. Counties and providers must meet outcome measurements tied to the number of new slots created for CalWORKs recipients.

- **CalWORKs in Community Colleges** - \$9 million for Community Colleges to provide work study opportunities and counselors for CalWORKs clients attending full- or part-time community college programs.
- **Sanctions Engagement Initiative** – Provide \$40 million to prevent sanctions by funding counties to engage non-compliant participants through personal contacts before a sanction is imposed. Eliminate barriers to complying by allowing families to come into compliance at any time when they are in sanction status. To provide sanctioned families an incentive to re-engage, permit families that agree to meet work participation requirements to earn back the funds lost from the sanction.
- **Restore Basic CalWORKs Program to 2004-05 Level** – Restore \$140 million for county CalWORKs programs to bring funding back to the actual 2004-05 spending level. Counties use this funding for basic case management, child care, transportation, job club, and basic employment services.
- **Increase Accountability** – Fund the Pay for Performance program at \$40 million annually, and clarify the counties' responsibility for potential federal penalties.
- **Invest in Research and Improve Data** – Develop and use all data sources to better articulate best practices and areas of improvement. Accurately reflect work participation and improve program management by improving state and county data reporting policies and practices. Provide \$2.5 million for state staff and contract funding for data improvement research, analysis, and reporting to understand caseload components, trends, and dynamics.
- **CalWORKs County Peer Review Program** – Provide \$1.5 million for a CalWORKs county peer review program to identify and share best practices that enhance participation and engagement.

## **Governor's May Revision Issues for TANF Reauthorization**

- **CalWORKs Participation Improvement Project**—An increase of \$20.0 million Federal Trust Fund is requested to implement a Participation Improvement Project to help counties overcome barriers in engaging CalWORKs recipients in appropriate activities and to improve counties' ability to meet the required federal work participation rate. These funds will be available to counties on a competitive grant basis to implement strategies for addressing unengaged recipients, reducing counties' high sanction and non-compliance rates, or reducing the number of recipients who are able to participate but are not continuously engaged. This proposal requires trailer bill language.
- **CalWORKs Reserve for Contingencies**—Increase the total TANF reserve from \$181.4 million to \$325.7 million. The TANF reserve is available for unanticipated needs in any program for which TANF Block Grant funds are appropriated, including CalWORKs benefits, employment services, county administration, and child care costs. The increase in the TANF reserve reflects the following:
  - **Pay for Performance**—The reserve includes \$40.0 million as an incentive for counties who improve upon specific CalWORKs work participation and employment outcomes in 2006-07 compared to 2005-06. The funds would be allocated in 2007-08 to counties that successfully meet the desired outcomes. Trailer bill language is required for this proposal.
  - **TANF Reauthorization**—The TANF reserve includes \$114.6 million to fund future programmatic changes to increase the work participation rate of CalWORKs recipients as required by TANF Reauthorization. The Administration has begun meeting with key stakeholders to explore options and identify the best policy and fiscal approaches that the state should take in responding to the increased work participation requirements. At this time, several critical issues remain to be defined by the federal regulations, and additional time is required to analyze programmatic data and identify options for improvement.

## **Recommendation for Budget Action:**

- A. **Enhance Up-Front Engagement:** Redirect \$20 million TANF from the May Revision proposed Participation Improvement Project and \$10 million TANF from the proposed TANF reauthorization reserve to provide a total of \$30 million to encourage innovative engagement strategies.
- B. **CalWORKs Education, Training, and Employment Collaborative:** Redirect \$25 million from the proposed TANF Reauthorization reserve to fund collaborative programs would emphasize activities that meet federal requirements, but give participants skills that will help them achieve long-term self-sufficiency.

- C. **CalWORKs in Community Colleges:** Redirect \$9 million from the proposed TANF Reauthorization reserve to count \$9 million in Community College Prop 98 funding toward the TANF MOE.
- D. **Sanctions Engagement Initiative:** Redirect \$40 million from the proposed TANF Reauthorization reserve to prevent sanctions by funding counties to engage non-compliant participants through personal contacts before a sanction is imposed. Eliminate barriers to complying by allowing families to come into compliance when they are in sanction status. To provide sanctioned families an incentive to re-engage, permit families that agree to meet work participation requirements to earn back the funds lost from the sanction.
- E. **CalWORKs Homelessness Prevention and Engagement:** Redirect \$10 million from the proposed TANF Reauthorization reserve for CalWORKs Homelessness prevention and support to prevent housing instability as a barrier to participation.
- F. **Increase Accountability:** Fund the Pay for Performance program at \$40 million annually, and clarify the counties' responsibility for potential federal penalties.
- G. **Restore Basic CalWORKs Program to 2004-05 Level:** Restore \$140 million for county CalWORKs programs to bring funding back to the actual 2004-05 spending level. Shift TANF out of Child Welfare Services and Foster Care to restore county funding.
- H. **Realign Foster Care and Child Welfare Services Funding:** Fund \$140 million Foster Care and Child Welfare with General Fund, rather than TANF. Adopt placeholder TBL to restrict the use of TANF for Foster Care and Child Welfare Services unless appropriated in Budget Act or authorized in BBL.
- I. **Shift Exempt Cases:** Fund Exempt CalWORKs cases with non-MOE General Fund. Adopt placeholder trailer bill language to express Legislative intent that these cases remain a high priority for engagement. Use other countable expenditures to meet the MOE requirement. (No Net General Fund cost or TANF/MOE impact.)
- J. **CalWORKs County Peer Review Program:** Redirect \$1.5 million from the TANF Reauthorization reserve for a CalWORKs county peer review program to identify and share best practices that enhance participation and engagement. Authorize state staff and contract funding, and budget bill language to authorize the establishment of additional positions and transfer of this funding between local assistance and state operations.
- K. **Research and Data Improvement:** Redirect \$2.5 million from the TANF Reauthorization reserve for state staff and contract funding for data improvement research, analysis, and reporting to understand caseload components, trends, and dynamics. Authorize state staff and contract funding, and Budget Bill Language that authorizes the establishment of additional positions and transfer of this funding between state operations and local assistance.

- L. Plan for TANF Regulations:** Maintain \$15 million of the TANF Reauthorization reserve for automation and implementation activities related to pending June 30<sup>th</sup> federal regulations.
- M. Conform Employment Training Fund Shift Back to Employment Training Panel**
- N. Adopt necessary placeholder trailer bill language and budget bill language, including, but not limited to:**
- a. Require counties to enact a sanctioned caseload engagement improvement plan by January 1, 2007
  - b. Require counties to submit a caseload application, termination engagement plan that contains recommendations to reduce the wait time for engagement.
  - c. Clarify county responsibility to use county funding to backfill any federal penalty assessed on the state and passed on to the counties.
  - d. Establish a TANF reauthorization Stakeholder process in statute (similar to the Quality Assurance workgroup statute)
  - e. Require tracking of all cases over time.
  - f. ETP Transfer Reverse
  - g. Reject Governor's Budget current year reduction trailer bill language.
  - h. Foster Care/Child Welfare TANF restriction
  - i. New Kinship Care Program
  - j. Homeless Prevention Program
  - k. Sanctions Engagement strategies
  - l. Up-Front engagement strategies
  - m. Education, training, and employment collaborative: establish in statute, require outcomes measurement.